



FRED WILLIAMSON & ASSOCIATES, INC.
Telecommunications Management Services

September 16, 1998

Ms. Magalie Roman Salas
Office of the Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, DC 20554

Re: CC Docket No. 98-77
Access Charge Reform for
Incumbent Local Exchange Carriers
Subject to Rate-of-Return
Regulation

Dear Ms. Salas:

Enclosed please find the original and seventeen (17) copies of the Reply Comments of Fred Williamson & Associates, Inc., to be submitted and filed in the above-referenced docket.

Please file-stamp the additional enclosed copy and return it in the enclosed self-addressed, stamped envelope.

Sincerely,

FRED WILLIAMSON & ASSOCIATES, INC.

Marc A Stone / BLS

Marc A. Stone
Senior Manager

MAS/bls

Enclosure

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**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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In the Matter of)	
)	
Access Charge Reform for Incumbent)	CC Docket No. 98-77
Local Exchange Carriers Subject to)	
Rate-of-Return Regulation)	

**REPLY COMMENTS OF
FRED WILLIAMSON & ASSOCIATES, INC.
IN RESPONSE TO NOTICE
OF PROPOSED RULEMAKING**

September 17, 1998

Fred Williamson & Associates, Inc.
2921 E. 91st St., Suite 200
Tulsa, Oklahoma 74137

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

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FRED WILLIAMSON & ASSOCIATES, INC.
IN RESPONSE TO NOTICE
OF PROPOSED RULEMAKING**

Fred Williamson & Associates, Inc. ("FW&A") respectfully submits these Reply Comments in response to the Federal Communications Commission's ("FCC") Notice of Proposed Rulemaking, FCC 98-101, released June 4, 1998, in the above-styled cause ("NPRM"), and specifically in response to those Comments filed by interested parties on August 17, 1998.

Introduction and Background

FW&A is a telecommunications management consulting organization located in Tulsa, Oklahoma, serving predominantly investor-owned, small, rural, independent telephone companies in Oklahoma, Kansas and Nebraska. All FW&A client companies are currently participants/receivers of existing Universal Service Fund ("USF") annual

monies, including High Cost Loop, Dial Equipment Minutes ("DEM") and Long Term Support ("LTS"). All FW&A client companies are substantially less than 200,000 access lines in size and participate in the pooling processes of the National Exchange Carriers Association ("NECA"). In addition, all FW&A client companies concur in the Interstate Access Tariff schedules and rates filed by NECA (i.e., Tariff FCC No. 5, which contains both SLC and CCL charges).

Reply Comments

Generally, interested parties filing comments in this proceeding on August 17, 1998, were in agreement conceptually with those Comments filed by FW&A on July 17, 1998. However, FW&A advances two theorems in these Reply Comments on behalf of our clients to address specific issues not directly discussed in the Comments filed previously. FW&A believes these issues are of significant importance to the Commission in its consideration of possible changes and/or modifications to the access charge processes as they relate to small, rural, rate-of-return carriers.

Issue 1: The Subscriber Line Charge ("SLC") as currently applied to telephone subscribers of services provided by local exchange carriers ("LEC") is discriminatory in nature and creates an artificial barrier to competition. The Telecommunications Act of 1996 ("the Act") requires that any and all artificial barriers to competition be removed in order to give all telecommunications consumers the ability to benefit from the results of a free, open and non-discriminatory marketplace. Artificial barriers are not only erected by existing market participants, but may be erected by new entrants, legislative or regulatory bodies against incumbents, thereby allowing a new entrant unfair competitive advantages

over the existing service providers. An artificial barrier to competition has been created against the incumbent local exchange providers ("ILEC") through the current application of SLC charges, and has thus allowed competitors/new entrants an unfair advantage in the marketplace. The Commission, by continuing to build a rate structure that requires LEC end-users to pay a SLC charge, but does not require the end-users of a non-regulated competitor to pay the same charge creates this artificial barrier to fair and equitable competition among market participants, and also creates an imbalance in the marketplace by unjustly and unduly favoring ILEC competitors.

Competition, as currently experienced in the marketplace, has not created new customers and new lines, but rather has occurred through the **movement** of existing customers and lines among marketplace participants (i.e., from ILECs to new competitors). In order to create fair and equitable competition among all competitors, the SLC should be viewed and implemented as a line connection charge imposed upon all telecommunications consumers for connection to the public switched network. As such, the "connection charge" would be applied equally to and collected from all customers of all carriers.

Issue 2: The concept of SLC recovery was adopted by the FCC to enable carriers over time to reduce the CCL charge to \$0. However, SLC charges as currently applied, will result in either increasing CCL charges or slowing the transition to \$0. The SLC was developed to aid LECs in recovering their non-traffic sensitive charges directly from end-users, thereby lowering CCL minute of use charges. Recovery of these charges allowed carriers to keep the Carrier Common Line ("CCL") charges lower by offsetting SLC recoveries from the CCL revenue requirement under Part 69, which in turn is utilized to

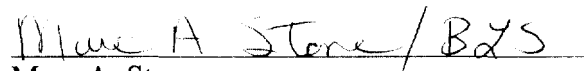
determine the CCL per minute charge. When end-users of competitors are not required to pay a SLC charge, these monies will be collected from a smaller pool of "contributors" consisting solely of LEC end-users. This will result in smaller SLC recoveries overall and a lesser offset to the CCL revenue requirement, which in turn will create a higher CCL per minute charge. This result is in direct contradiction of the FCC's stated goals and the requirements of the Act for fair, open and non-discriminatory competition.

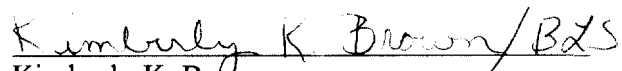
Conclusion

If the Commission were to adopt FW&A's proposal that SLC charges be applicable to all end-users, the monies collected by providers other than ILECs could be used as State specific funds for high cost offset, or could be remitted to an administrator like NECA for distribution to maintain lower CCL levels or CCL transition to \$0.

FW&A respectfully urges the Commission to carefully consider the issues described above, as well as the issues addressed in its Comments submitted previously. As FW&A stated in its Comments, the Commission should exercise great caution in considering and/or imposing changes or modifications to the access charge processes at this time as they relate to small, rural rate-of-return carriers.


Respectfully submitted


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Certificate of Mailing

I, Barbara Speer, certify that these Reply Comments of Fred Williamson & Associates, Inc. in Response to Notice of Proposed Rulemaking, CC Docket No. 98-77 were mailed, U. S. mail, postage prepaid, to the persons listed on the Federal-State Joint Board Service List.


Barbara Speer